SD Guthrie (SDG MK)

3Q25 Preview: Results Driven By Higher ASPs

	HOLD (Maintained)
Share Price	RM5.35
Target Price	RM5.00
Upside	-6.5%

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Highlights

- We expect SDG's core net profit to rise 11-13% qoq in 3Q25, driven mainly by higher ASPs while production could also increase marginally qoq.
- On a ytd basis, SDG's production trend for 9M25 remains on track to hit management's full-year FFB growth target of 3-5% in our view. CPO prices continue to track ahead of management's 2H25 expectations.
- Maintain HOLD with an unchanged target price of RM5.00.

Analysis

- **3Q25 results preview.** We expect SD Guthrie (SDG) to report a 3Q25 core net profit of RM550m-560m (up 11-13% qoq), relative to 2Q25 core earnings of RM496m. Key drivers to 3Q25 results are stronger segmental contributions expected by its upstream plantation operations, as FFB output increased slightly by 1% qoq on top of an ASP recovery, and average spot prices of CPO rose from RM4,055/tonne in 2Q25 to RM4,270/tonne in 3Q25. At the same time, PK prices also inched up from RM3,340/tonne to RM3,440/tonne sequentially.
- **Plantation segment: FFB production up 2.1% yoy for 9M25.** Production-wise, SDG's plantation segment FFB output for 3Q25 was up 0.7% qoq, with Jul 25's production up 5.2% yoy although FFB output in Aug 25 and Sep 25 was marginally down by 0.8% and 2.4% yoy respectively. Nevertheless, this still brings the group's ytd output – up 2.1% yoy for 9M25 – within range of hitting management's full-year growth target of 3-5% yoy, albeit implying that output growth will catch up faster in 4Q25. All in, the segment is expected to continue driving 2H25's results, with CPO prices in 2H25 thus far still tracking ahead of management's relatively more cautious view of RM4,000-4,200/tonne.
- **Downstream outlook.** For its downstream operations, we believe segment EBIT may come in flattish or slightly lower qoq (2Q25: RM126m). Results from its trading division may remain strong (2Q25: RM56m) while oleochemical sales could also improve sequentially vs 2Q25. On the other hand, refining margins may face downward pressure in 3Q25, given the sequential rise in CPO prices during the quarter.

Key Financials

Year to 30 Jun (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	18,428	19,831	22,980	22,599	22,874
EBITDA	3,270	4,102	4,323	3,959	3,765
Operating profit	1,839	2,649	2,773	2,368	2,174
Net profit (rep./act.)	1,860	1,527	1,789	1,561	1,493
Net profit (adj.)	812	1,527	1,789	1,561	1,493
EPS (sen)	11.9	22.5	26.3	23.0	22.0
PE (x)	41.6	22.1	18.9	21.6	22.6
P/B (x)	1.7	1.7	1.7	1.7	1.7
EV/EBITDA (x)	18.0	14.4	13.5	14.4	14.7
Dividend yield (%)	3.0	3.3	3.4	3.0	2.8
Net margin (%)	10.1	7.7	7.8	6.9	6.5
Net debt/(cash) to equity (%)	23.4	22.8	20.3	12.1	4.9
Interest cover (x)	18.7	34.5	38.3	144.1	158.3
ROE (%)	10.4	8.3	9.8	8.5	8.2
Consensus net profit	-	-	1,898	1,861	1,776
UOBKH/Consensus (x)	-	-	1.0	1.1	1.2

Source: SDG, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	SDG MK
Shares issued (m):	6,915.7
Market cap (RMm):	37,073.3
Market cap (US$m):	8,845.7
3-mth avg daily t'over (US$m):	5.6

Price Performance (%)

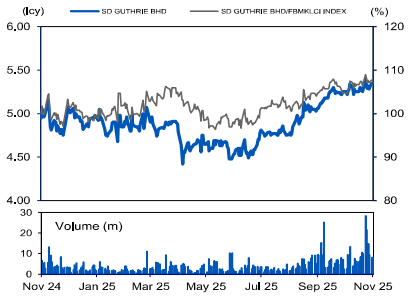
52-week high/low RM5.32/RM4.42

1mth	3mth	6mth	1yr	YTD
1.9	11.7	15.1	8.1	7.4

Major Shareholders

Amanah Saham Nasional Bhd	53.3%
FY25 NAV/Share (RM)	2.90
FY25 Net Debt/Share (RM)	0.72

Price Chart



Source: Bloomberg

Company Description

The largest oil palm plantation company in Malaysia.

Valuation/Recommendation

- **Maintain HOLD with an unchanged target price of RM5.00.** Our valuation is pegged to 22x 2026F PE (-0.25SD to the average five-year mean of 26x). While we still like SDG for its favourable production growth profile and medium-term prospects supported by new business verticals within renewables as well as industrial development, present valuations appear fair to us at the current juncture.

Earnings Revision/Risk

- **Maintain our FY25-27 earnings estimates.** We continue to project a 17% yoy rise in 2025 core earnings, largely led by its plantation segment's stronger performance which is in turn driven by better ASP and FFB production growth. We expect the group's estates across Malaysia, Indonesia and Papua New Guinea/Solomon Islands (PNG/SI) to post positive FFB growths for the full-year (1H25: Malaysia -2% yoy, Indonesia +10% yoy, PNG/SI +7% yoy).

Share Price Catalyst

- Better-than-expected CPO prices and production growth.
- Accelerated development of new business verticals.
- Potential M&A activities.

Environmental, Social, Governance (ESG)

Environmental

- SDG announced that additional biogas plants would be built in Kedah and Negeri Sembilan. This allows it to work towards its carbon reduction target of 40% by 2030 (current: 18%).

Social

- The US Customs and Border Protection says palm oil produced by SDG is no longer "being mined, produced, or manufactured wholly or in part with the use of convict, forced, or indentured labour".

Governance

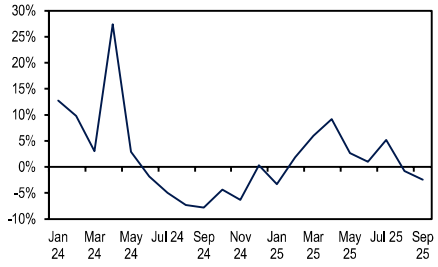
- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

1H25 Segment Earnings Drivers

	FY25F
FFB production growth	4.3% yoy
CPO Prices (Spot)	RM4,200/tonne

Source: UOB Kay Hian

Monthly FFB Production Growth YOY



Source: SD Guthrie

Profit & Loss

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Net turnover	**19,831**	**22,980**	**22,599**	**22,874**
EBITDA	4,102	4,323	3,959	3,765
Deprec. & amort.	1,453	1,550	1,591	1,581
EBIT	2,649	2,773	2,368	2,174
Total other non-operating income	0	0	0	0
Associate contributions	(28)	10	11	13
Net interest income/(expense)	(119)	(113)	(27)	(24)
Pre-tax profit	**2,502**	**2,670**	**2,352**	**2,164**
Tax	(796)	(677)	(596)	(530)
Minorities	(179)	(204)	(194)	(140)
Net profit	**1,527**	**1,789**	**1,561**	**1,493**
Net profit (adj.)	1,527	1,789	1,561	1,493

Balance Sheet

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Fixed assets	19,365	19,911	20,416	20,922
Other LT assets	4,954	4,986	4,987	4,987
Cash/ST investment	625	2,115	3,547	4,820
Other current assets	520	(1,394)	(3,425)	(5,446)
Total assets	**32,047**	**33,613**	**33,480**	**33,371**
ST debt	1,809	1,624	1,440	1,255
Other current liabilities	237	241	242	242
LT debt	3,537	4,678	4,679	4,679
Other LT liabilities	233	233	233	233
Shareholders' equity	20,718	20,718	20,718	20,718
Minority interest	443	516	583	599
Total liabilities & equity	**32,047**	**33,613**	**33,480**	**33,371**

Cash Flow

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Operating	**3,013**	**2,821**	**3,641**	**3,411**
Pre-tax profit	2,621	2,783	2,379	2,187
Tax	(796)	(677)	(596)	(530)
Deprec. & amort.	1,453	1,550	1,591	1,591
Working capital changes	(378)	(953)	63	(46)
Other operating cashflows	113	119	205	208
Investing	**(630)**	**(641)**	**(628)**	**(640)**
Capex (maintenance)	(2,096)	(2,096)	(2,096)	(2,096)
Investments	0	1	2	2
Proceeds from sale of assets	1,452	1,452	1,452	1,452
Others	14	2	14	2
Financing	**(1,621)**	**(1,655)**	**(1,505)**	**(1,461)**
Dividend payments	(1,127)	(1,163)	(1,015)	(971)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(535)	(300)	(300)	(300)
Others/interest paid	6	8	10	10
Net cash inflow (outflow)	**762**	**526**	**1,509**	**1,310**
Beginning cash & cash equivalent	**830**	**1,586**	**2,106**	**3,609**
Changes due to forex impact	(6)	(6)	(6)	(6)
Ending cash & cash equivalent	**1,586**	**2,106**	**3,609**	**4,913**

Key Metrics

Year to 30 Jun (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	20.7	18.8	17.5	16.5
Pre-tax margin	12.6	11.6	10.4	9.5
Net margin	7.7	7.8	6.9	6.5
ROA	5.1	5.8	5.0	4.8
ROE	8.3	9.8	8.5	8.2
Growth				
Turnover	7.6	15.9	(1.7)	1.2
EBITDA	25.4	5.4	(8.4)	(4.9)
Pre-tax profit	14.1	(14.9)	(11.9)	(8.0)
Net profit	16.3	(17.3)	(12.7)	(4.4)
Net profit (adj.)	16.3	(17.3)	(12.7)	(4.4)
EPS	88.0	17.1	(12.7)	(4.4)
Leverage				
Debt to total capital	25.3	29.7	28.7	27.8
Debt to equity	25.8	30.4	29.5	28.6
Net debt/(cash) to equity	22.8	20.3	12.1	4.9
Interest cover (x)	34.5	38.3	144.1	158.3

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